

Sustainability report

1. Sustainability at LHV

1.1 Sustainability mission statement

Sustainability is a constant learning process in which we engage stakeholders and external experts to better understand the consequences of our decisions and create long-term value. We aim to strategically enhance in-house competence, develop sustainable financial products and services, improve our business processes, and develop sector-wide partnerships to work toward more responsible business operations.

- We realise how our business decisions affect society and the environment, and we focus on measuring and managing these impacts.
- We aim to be a leader in sustainable development in the financial world by striving toward initiating systemic change and adopting innovative and sustainable solutions.
- We operate transparently and disclose our progress and in voluntary and regulatory sustainability reports and through our corporate communication channels. We are continually improving our know-how on sustainability reporting standards to comply with GRI (Global Reporting Initiative) reporting standards in our annual sustainability reports.
- We are committed to creating the conditions for adhering to our sustainability strategy. This is achieved both by internal capacity building and constant integration of ESG considerations into decision making, business operations and practices.

The aim of sustainability report is to provide an insight to how LHV integrates sustainability matters into its business activities to increase its positive impact on the environment and society. While the following sustainability report has been assessed by an external party, it has not been reviewed or audited.

2. Global sustainability frameworks

2.1 United Nations Environment Programme Finance Initiative Principles for Responsible Banking

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership established between the United Nations Environment Program (UNEP) and the financial sector. The UNEP FI Principles for Responsible Banking (UNEP FI PRB) provide banks with a framework for sustainable operations.

We take part in international cooperation in the financial sector and in sharing best practices.

The 6 principles (indicated below) provide a framework for developing and maintaining a sustainable banking system. They were designed to help the industry make a positive contribution to society. In 2023, we submitted our 3rd PRB report.



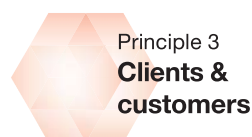
Principle 1 Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



Principle 2 Impact & target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



Principle 3 Clients & customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



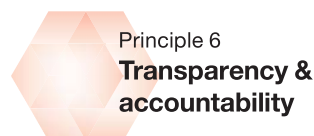
Principle 4 Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



Principle 5 Governance & culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



Principle 6 Transparency & accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

2.2 Partnership for Carbon Accounting Financials

At the end of 2021, we joined the Partnership for Carbon Accounting Financials (PCAF) initiative to better understand our climate impact. The PCAF standard, which is in line with the GHG protocol, provides a consistent methodology for measuring and disclosing emissions from business activities, including those associated with corporate/business loans, commercial real estate loans, residential mortgages, motor vehicle loans, project finance and even the equity and bond positions that banks hold on their statements of financial position. The results are displayed in subsection 5.1.2 of 'Sustainability report'.

These results give us a valuable starting point and help us set emission reduction targets by the end of 2024. For us, this is a big step forward in not only understanding our own climate impact but also a step towards in estimating our customers' environmental performance and working with them on reducing our impact to the environment.

2.3 Global Reporting Initiative

This sustainability report has been prepared in accordance with the widely used Global Reporting Initiative (GRI) Standards: Core Option. It includes a GRI Content Index located at the end of the Sustainability report. Using a standardised approach allows us to report to our stakeholders and the public on our impacts and activities in an even more structured and transparent way.

In this report, we have followed all the reporting principles of the GRI standards (GRI 101):

- stakeholder inclusiveness, sustainability context, materiality, and completeness for defining the scope of the report;
- accuracy, balance, clarity, comparability, reliability, and timeliness in ensuring the quality of the content.

We consider it essential to be more transparent and comprehensive in disclosing our sustainability information and therefore are open to feedback regarding our reporting methods and style. We are also preparing to comply with the emerging sustainability reporting requirements stemming from the Corporate Sustainability Reporting Directive (CSRD) which will apply to us from the beginning of 2025.

3. ESG strategy

3.1 Material ESG and sustainability topics

Our goal is to make an actual impact through the sustainability efforts we make. We devote our resources to addressing the environmental, social and governance (ESG) sustainability matters most affected by our business decisions.

With the help of UNEP FI Portfolio Impact Analysis Tool, we have identified our potential positive and negative environmental and social impacts arising from our business activities. Through engaging both internal and external stakeholder groups, as well as applying proper ESG management approach, we have determined the areas on which LHV has significant impact through its products and services.

Materiality and impact analysis findings

The results of the materiality and impact analysis were validated by the management team during the ESG strategy development process. As an outcome, we identified two environmental and two socioeconomic impact areas where LHV could achieve the most significant impact on sustainable development through its core work across the value chain and portfolio:

- Climate and biodiversity
- Circular economy
- Inclusive and cohesive economy
- Financial literacy and economic security

In addition, an internally relevant material aspect was identified – honest and transparent organisational culture (covering both social and governance aspects).

Based on these impact areas, we have built our sustainability strategy to address the issues by setting KPIs, targets, as well as developing sustainable financing products.

Working with our most material sustainability aspects contributes to these UN SDGs and their specific sub-targets

Sustainable Development Goal (SDG)	Specific SDG target to which LHV contributes	How LHV contributes?
SDG 1. End poverty in all its forms everywhere 	<p>1.2. By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions</p> <hr/> <p>1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p>	<ul style="list-style-type: none"> Integrating social and environmental considerations into the core of our business. Investing in spreading financial literacy.
SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy for all 	<p>7.1. By 2030, ensure universal access to affordable, reliable, and modern energy services</p> <hr/> <p>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix</p>	<ul style="list-style-type: none"> Offering customers a choice of green financial products. Improving processes of ESG-related due-diligence for corporate customers and partners.
SDG 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all 	<p>8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <hr/> <p>8.10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all</p>	<ul style="list-style-type: none"> Driving sustainable growth, creating jobs, encouraging entrepreneurship, and fuelling innovation.
SDG 12. Ensure sustainable consumption and production patterns 	<p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources</p> <hr/> <p>12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	<ul style="list-style-type: none"> Considering environmental factors in business decisions. Advocating for responsible lending and consumption.
SDG 13. Take urgent action to combat climate change and its impacts 	<p>13.2. Integrate climate change measures into national policies, strategies, and planning</p> <hr/> <p>13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<ul style="list-style-type: none"> Encouraging environmentally sustainable business practices within the sector and the State level through supporting sustainable financial sector development.

3.2 Stakeholder engagement

In LHV, we make sure to engage our stakeholders and external experts to ensure that we maximise the impact of our efforts within sustainability. Our stakeholders are the groups and individuals that LHV affects through its activities, and who, in turn, may affect LHV's operations in the short or long run.

We hold a regular dialogue with the stakeholders with whom we have the most direct relations and with whom LHV could collaborate for better impact on the society. At the same time, we also keep in touch with the stakeholder groups that are part of shaping the trends and setting requirements for the financial market.

Table below outlines our major stakeholder groups, ways of their engagement and their major expectations to LHV.

Stakeholder groups	How we engage	Main expectations and key issues raised
Customers	Active communication and discussions, ESG questionnaire in credit application, green products, and services	Engagement, knowledge building, ESG integration into business and decision making
Employees	Annual survey, individual development and performance reviews, informative sustainability seminars	Feedback, engagement, internal capacity building
Shareholders	Annual shareholder meeting, active communication, ESG reporting	Profitability, engagement, feedback
Policy makers, regulators	Memberships in state level sustainability focused working groups, direct communication with government officials	Policy making input and information about EU legislation on the issues of sustainability and reporting
Business networks, financial sector	Active membership in Estonian Banking Association, Finance Estonia and Rohetiiger	Leadership in ESG promotion
Suppliers, cooperation partners	Direct communication	Sustainability integration into value chain
Sustainability organisations	Active membership in local sustainability focused initiatives and organisations, leading the ESG working group in Estonian Banking Association, member of UNEP FI PRB	Financing sustainable development, enabling green transition
Wider public and society	Active communication, public events and conferences, universities, press and media	Transparency, fair and ethical business conduct

Leadership for sustainable business development in Estonia

- LHV is a signatory to UNEP FI's Principles for Responsible Banking and an active member of several of its working groups.
- We actively take part in the Estonian Banking Association's Sustainable Banking Committee.
- We are a founding member of Rohetiiger, a local initiative that contributes to improving local organisations' knowledge regarding environmental issues, maintains close contact with the state, and advises businesses on how to make the best environmental changes within the organisation and their supply chains.
- We cooperate with other organisations on sustainability initiatives and regularly share our ESG journey with other businesses.
- We cooperate with universities in spreading the word about sustainability in the financial sector.
- We continuously collaborate with external experts to better implement our ESG projects.
- We regularly engage with non-profit organisations and with the public sector.
- We hold seminars and workshops for or with other companies and organisations and talk about our progress, the importance of corporate sustainability and the future of green finance.

4. Management of ESG

The core of our ESG strategy is specified in our ESG policy which sets the goals, ambitions, and approaches for our sustainability efforts in all the subsidiaries of the group. The ESG policy sets a high-level structure and responsibilities for group wide ESG governance. The group CEO as a governing body member is ultimately responsible for ESG supervision, all Heads of LHV Group's subsidiaries are responsible for supervision over everyday ESG matters and ESG activities in their respective subsidiaries, and Communications Manager is responsible for external communication related to environmental and social matters and serves as a contact person for all sustainability-related public enquiries.

Over the past years, we have considerably increased and developed ESG competencies in-house, resulting in ESG-focused positions in the Financial Management, Retail Banking, Compliance, Credit, HR, Risk and Asset Management Departments. The group-wide management of ESG has now resulted smooth integration of sustainability principles into all relevant business lines, processes, strategy building, and risk management. From the beginning of 2024, all group-wide ESG matters will be discussed at the Group Management Board meetings to ensure group-wide development and implementation of various ESG projects and processes.

5. Management of impact areas

5.1 Environment

We understand our role as a financial institution as having a transformational capacity and influence to create positive change. To mitigate the negative impact on the environment, we strive for more sustainable ways of achieving growth and creating value. LHV constantly aims to operate sustainably, and as an Estonian company, we want to help the Estonian economy to adapt to meet the environmental and climate targets.

We carefully follow the green office principles by monitoring our annual footprint of own operations. In addition, we are now also measuring and taking steps to decrease the emissions of our investment and lending activities, which we refer to as financed emissions.

5.1.1 Green office operations

Even though our greatest environmental impact comes from financing and investing activities, it is no less important how we go about our daily business. One way of reducing our carbon footprint is to act to mitigate the negative impact coming from our office operations. Since 2019, we have a Green Office working group, who initiates sustaina-

bility projects aiming to increase employee's awareness regarding the impact each one of us can have through our daily activities.

The Green Office Principles have now been embedded throughout the teams in all our offices. During the previous years, we have reached considerable milestones and been awarded for our achievements. We extended Tallinn City Plaza office Green Office certificate and received the same certificate for our Tartu and Pärnu offices. In addition, the BREEAM certificate for building environmental performance for the City Plaza office was extended until the end of 2024.

Waste generation and utilisation is highly prioritised in LHV offices, and we have developed a solid waste sorting procedure. In cooperation with Nutriloop, we recycle our biowaste, which we use to grow plants on the balconies of our office building, as well as donate it to local farmers and gardeners. Employees are encouraged to recycle their waste both at work and at home, for example through allowing them to bring unwanted clothes or hazardous waste into collection boxes installed in the office.

This year we also took part in various charitable projects, for example we made protective nets for the Ukrainian battlefront, we donated Christmas presents to families in a poor economic condition and took part in the charity project '500 dresses', which proceeds donated to the Estonian Cancer Patients Association.

5.1.2 Our carbon footprint

For setting an action plan and targets for emission reductions, it is first necessary to identify and measure the GHG emissions of our business activities and to follow a standardised methodology in the process. We calculate our footprint based on the methodology provided by the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, an internationally recognised and the most widely used greenhouse gas accounting standard. The results are expressed in CO₂ equivalents, the universal greenhouse gas unit of measurement, indicating the potential for causing global warming.

Based on GHG Protocol, emissions are categorised into three scopes. Scope 1 relates to direct emissions that occur from sources that are controlled or owned by an organisation. Scope 2 emissions refer to indirect emissions associated with purchase of electricity, heating, and cooling. Scope 3 emissions includes all other indirect emissions accounting for emissions coming from our own operations and emissions that are financed through our financing and lending activities.

At the end of each year, we measure the carbon footprint of our office operations through collecting data about business travels, consumption of office buildings, ordered

paper, fruits etc. Based on this, we make comparisons with previous years and introduce new activities in the Green Office action plan to further reduce our footprint. Our office activity generates emissions mostly due to the use of heating, power, employee commuting, and business travel.

To evaluate the impacts of employee commuting, a web survey was conducted among the employees, which inquired about the distance between home and work (direct route, without any interim stops) and the modes of transport ordinarily used. 50% of employees responded, and the results were extrapolated to the number of employees working for the company.

The analysis covered the activities of LHV Group's Tallinn, Pärnu and Tartu offices. Similarly, to the assessments of the past years, the 2023 analysis did not consider LHV's UK offices (due to limited availability of data). As the offices in

the UK are small, it is not expected to have a significant impact on the carbon footprint of LHV Group as a whole. To perform the calculation of intensity of carbon footprint per employee, the aggregate result was divided by the number of LHV Group's employees at the end of the reporting year.

In 2022, LHV's office activity had a greenhouse gas emission footprint of 1,968 tonnes of CO₂-equivalent, which was 2.5 tonnes per employee at the time of calculation. For 2023 the results were 2,217 tonnes, or 2.4 tonnes per employee. The main reason for the increase in our operational level CO₂ footprint was due to increase of employees and office space.

Emissions from own operations (GRI 305:2016)	2023	2022
Scope 1	0	0
Scope 2	737 tCO ₂ e	567 tCO ₂ e
Scope 3 (excl. category 15)	1,480 tCO ₂ e	1,400 tCO ₂ e
Total emissions from own operations	2,217 tCO₂e	1,968 tCO₂e
GHG emissions intensity per FTE	2.37 tCO ₂ e	2.48 tCO ₂ e

Type	Consumption	2023		2022	
		tCO ₂ e	Share %	tCO ₂ e	Share %
Scope 1 - Direct emissions		0	0	0	0
Total Scope 1		0	0	0	0
Scope 2 - Indirect, emissions related to purchased electricity and heat	Electricity (renewable electricity): Tallinn office	1,152,400 kWh	0	0	0
	Electricity (non-renewable electricity): Tallinn office (Rävala)	31,711 kWh	23	1	0
	Electricity (non-renewable electricity): Tartu office	233,943 kWh	167	8	0
	Electricity (non-renewable electricity): Pärnu office	43,572 kWh	31	1	16
	Heating: Tallinn office	2,015 MWh	501	23	544
	Heating: Tallinn office (Rävala)	62 MWh	8	8	0
	Heating: Tartu office	183 MWh	5	0	5
	Heating: Pärnu office	67 MWh	1	0	1
Total Scope 2		737	41	567	29
Scope 3 - All other indirect emissions in the value chain	Outsourced materials (trading assets)	51	2	45	2
	Outsourced services (servers and water)	1	0	0	0
	Office furniture	17	1	35	2
	Office equipment	284	13	274	14
	Generated waste	30	1	28	1
	Business travel: plane	177	8	158	8
	Business travel: train	8	0	5	0
	Business travel: bus	5	0	4	0
	Business travel: taxi	1	0	1	0
	Business travel: rental car	1	0	0	0
	Business travel: personal car	32	1	18	1
	Drive home to work: 2023 (934 employees)	384	17	425	22
	Home office (934 employees)	39	2	31	2
	Indirect energy and fuel effects				
	Electricity grid loss	96	4	26	1
	Heating grid loss	80	4	64	3
	Indirect impact related to heating production	275	12	282	14
	Grid loss from production of heating	0	0	1	0
Total Scope 3		1,480	67	1,400	71
Total emissions from own operations		2,217	100	1,968	100

Estimates of financed emissions

In 2022 we started assessing our emissions under scope 3 category 15 investments (as defined by the GHG Protocol Corporate Value Chain standard) using the PCAF methodology. Assessment of financed emissions is important, since a large share of our emissions is related to our financing activities.

As a new addition in 2023, we estimated emissions for sovereign debt, listed equity & corporate bonds, which make 0.01% of our total financed emissions. We broadened the scope of business loans by estimating emissions of guarantees. We changed the PCAF database rights from AS LHV Pank to LHV Group, which gives us the opportunity to assess emissions of other subsidiaries as well. Previously, only emissions of AS LHV Pank had been evaluated. In 2023, we were able to introduce emissions assessment for LHV Bank Limited, which are included in the results below.

Since 2022 our financed emissions increased by 165,562 tCO₂e, with a total of 728,058 tCO₂e. As of 2023, we have estimated the emissions for six asset classes (business loans, motor vehicle loans, commercial real estate and

mortgages, sovereign debt, listed equity & corporate bonds) with an emission intensity of 550.4 tCO₂/EURm. We have assessed 99% of our credit portfolio (business loans, motor vehicle loans, commercial real estate and mortgages) and 100% of sovereign debt, listed equity & corporate bonds. For business loans we report absolute emissions data at the sector level. Electricity, gas, steam and air conditioning supply sector, has the largest tCO₂ e amount with 30.0% of total business loans' tCO₂ e. (See tables below for more detailed overview)

The results of the emission estimations can vary to some extent depending on the quality of the input data used in the calculation models. In 2023 we made continuous work to improve the data quality, although for substantial improvement it is needed to obtain more specific information directly from our clients. Data quality scores for each asset class can be found in the table below. PCAF data quality scores are on a scale of 1-5, where 1 is the highest possible score. Although PCAF's methodology has limitations, as of now it is the best available option and has helped us gain a better overview of our climate impact. Based on these findings we will be able to set emission reduction targets in the future.

Financed emissions	2023	2022
Total Scope 3 (Category 15 – investments)	728,058 tCO ₂ e	562,506 tCO ₂ e

Financed emissions – scope 3 (Category 15 – investments)						2023
Type	Outstanding amount EUR million	Absolute emissions		Emission intensity*	PCAF data quality scores	
		Scope 1-2 tCO ₂ e	Scope 3 tCO ₂ e	tCO ₂ e/ EUR million		
Listed equity & corporate bonds	0	-	-	-	-	
Business loans**	1,729	623,067	225,750	360.3	4.1	
Mortgages	1,174	42,695	-	36.4	3.5	
Commercial real estate	584	55,810	-	95.6	3.5	
Motor vehicle loans***	169	5,483	-	49.7	2.9	
Sovereign debt	339	1,003	0,661	3.0	1	
Total	3,995	728,058	226,411	545.0	3.0	

* Scope 1-2

**Scope 3 emissions for energy (oil & gas) and mining, transportation, construction, buildings, materials, and industrial activities

***Emissions from passenger cars, busses, and trucks; other vehicles not covered in PCAF Financed Emissions Standard

Financed emissions				
Business loans				
				2023
EMTAK	Outstanding amount EUR million	Total tCO₂ e	% of total tCO₂ e	CO₂ intensity tCO₂ e/ EUR
A: Agriculture, forestry and fishing	99.7	24,938	4.0	250.2
B: Mining and quarrying	0.5	12	0.0	26.4
C: Manufacturing	180.7	123,450	19.8	683.38
D: Electricity, gas, steam and air conditioning supply	177.9	186,951	30.0	1,050.8
E: Water supply; sewerage, waste management and remediation activities	23.1	18,855	3.0	816.1
F: Construction	104.0	85,568	13.7	822.5
G: Wholesale and retail trade; repair of motor vehicles and motorcycles	159.9	96,146	15.4	601.5
H: Transportation and storage	58.8	9,642	1.5	164.1
I: Accommodation and food service activities	12.7	3,924	0.6	309.9
J: Information and communication	13.9	2,176	0.3	156.6
K: Financial and insurance activities	234.8	15,565	2.5	66.3
L: Real estate activities	354.3	13,837	2.2	39.1
M: Professional, scientific and technical activities	76.7	8,185	1.3	106.7
N: Administrative and support service activities	80.3	12,011	1.9	149.7
O: Public administration and defence; compulsory social security	64.6	10,687	1.7	165.3
P: Education	5.4	936	0.2	174.7
Q: Human health and social work activities	16.4	4,334	0.7	263.7
R: Arts, entertainment and recreation	54.0	4,332	0.7	80.2
S: Other service activities	12.0	1,519	0.2	126.2
Total	1,729	623,067	100	

Offsetting our carbon footprint locally through innovation

While we have been taking considerable steps to reduce the carbon footprint of our office operations, it can be done only to a certain extent. Therefore, we are collaborating with eAgronom, who provides us a local solution helping us to achieve our first emissions related target. We are using eAgronom's newly developed solution to buy carbon credits from Estonian farmers who sequester carbon dioxide from the air into the soil and thereby improve the soil quality of their fields.

Working together with eAgronom helps us to understand the offset business much better, we can improve local soil quality, store more nutrients in the soil and increase water holding capacity while supporting local farmers in applying the new approach in their everyday farming habits.

5.2 Sustainable products and services

LHV's influence in the Estonian financial sector is growing. As part of an industry that is vital for society, we, directly and indirectly, affect our surroundings and make our most significant contribution through investing and financing. That is why we have decided to channel cash flows from our core activities more concertedly to activities that support

the transition to a climate-neutral and sustainable economy. We have developed unique green products that motivate our customers to make everyday consumer and investment decisions that are as environmentally responsible as possible. In this way, we do our part to support economic growth, while at the same time reducing greenhouse gas emissions, pollution, and waste generation.



Green Home Loan

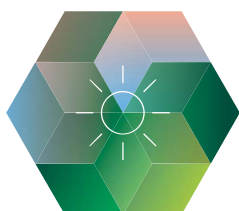
One of the most important consumer decisions a person will ever make – in terms of the financial cost and the environmental impact – is regarding purchasing their home. One-third of the average Estonian's annual CO₂ footprint is related to their home – mostly deriving from energy used for heating and emissions arising from use of household electricity.

We would like to promote the building and buying of the most energy efficient homes, so we're offering our customers the possibility to leverage Estonia's first green home loan.



Green Car Leasing

We aim to promote the purchase of energy-efficient vehicles. The most energy-efficient vehicle you can choose to drive is a fully electric car. But to be sure of its sustainability level, the energy needs to derive from renewable sources entirely. From 2026 onwards, only cars with zero CO₂ emissions per kilometer are considered clean vehicles. Only electric and hydrogen vehicles will meet this standard. We, therefore, offer car leasing for new fully electric vehicles purchased for general use. In line with a longer-term strategy and the desire to contribute to Estonia's climate objectives, LHV Pank has decided that LHV will no longer finance the purchasing of new diesel passenger cars from 2030 onwards.



Green hire-purchase

Renewable energy sources are undeniably an investment for the future. Using solar panels for generating energy and heating homes and household water with geothermal energy is a smart choice. Instead of driving vehicles that run on fossil fuels, we want our customers to try considering electric monowheels or two-wheeled vehicles. We want to make it easier to make energy-efficient choices.



Green Investment Loan for Companies

The Estonian economy is very carbon-intensive. Therefore, investing in lower energy consumption, production of renewable energy, or daily resource efficiency is very profitable and will increase any company's competitive advantage.



Green Loan for Housing Development

For people to have energy-efficient apartments, someone has to build them. Therefore, we offer investment loans for energy class A housing developers with a lower-than-usual interest rate.



Pension Fund Green (II pillar)

In March 2020, we launched Estonia's first green pension fund. We had been working on it for exactly a year. LHV Pension Fund Green is meant for anyone who cares even a little about green philosophies and believes that capital investment should be profitable in the long-term and environmentally sound and sustainable. The fund always invests 75% to 100% into equity. At least half of the portfolio is invested in investment funds that abide by sustainability principles or have environmental themes.



Pension Fund Green Plus (III pillar)

In December 2020, LHV established the Pension Fund Green Plus, which is the sister fund of the first Estonian second pillar fund that makes green investments. The first green third pillar fund's investment portfolio will consist of socially responsible, sustainable, and environmental assets. The equity risk to be taken with the fund will always remain between 75% and 100%. The green second and third pillar funds are aimed at everyone who cares about the green mindset and believes that investments must be productive in the long term and environmentally friendly and sustainable.

5.3 Social

While banks and financial institutions play an integral part in driving economic growth, they also have the power to impact individual lives and communities' overall wellbeing. Our business is always conducted with integrity, transparency, and ethics in mind, with the utmost emphasis on fair dealing and respect towards our partners, customers, and employees.

By acknowledging our role and societal influence at the local level, we do following:

- maintain a budget to support music or arts, education, sports, and community events;
- support external movements and partners to promote the cultural and economic development of local communities;
- stand for equal opportunities for people and companies;
- build the trust of our customers in LHV as a non-discriminatory financial services provider;
- encourage financial literacy and the share of economic knowledge;

- continuously improve our competencies in the field of ESG to further advance social cohesion. The prosperity and welfare of our people is at the core of our business operations.

We realise that good business results and growth cannot be achieved without people who create value, are well taken care of and engaged in their personal and collective mission and feel highly valued.

5.3.1 Social responsibility

We understand our increasing role in the Estonian economy and society in general. In line with our mission, we support activities that allow Estonian people and businesses to think more boldly about the future and realise their plans. We consider it important to increase the feeling of economic security and make the economic environment more coherent. In society at large, we primarily support ventures that make Estonia bigger and contribute to the capabilities of our communities. In addition to contributing to investor education and recognition of entrepreneurs, we have several longer-term and more recent cooperation projects, helping to achieve these goals.

5.3.2 Financial literacy

Since its establishment, LHV has been part of the Estonian investor community. As a market leader in investment services and as a listed enterprise that values investor relations, we actively contribute to educating investors. In our relations with more than 10,000 shareholders, we are open, transparent, and inclusive.

- We organised 33 free seminars as part of the Investment School, with 16,000 participants in 2023.
- We carried out the annual stock market game Börsihai. This year, the number of participants reached 5,460. As part of Börsihai, we facilitated a virtual lesson introducing investing and the stock market game, which reached over 40 Estonian schools.
- At the beginning of the year, we participated in a TV project Rahareede, where on 8 shows we talked about important topics related to personal finances and investing.
- We supported the Investor Toomas conference organised by Äripäev, the Investment Festival carried out by the Investment Club and the Women's Investment Club.
- In collaboration with Äripäeva Kirjastus, we supported the publication of investment-related books in Estonian.

5.3.3 Sponsorships

We do all we can to support activities and initiatives which contribute to the development of Estonian society. In the case of our sponsorship projects, we prefer long-term and substantial cooperation. We are willing to contribute to the realisation of innovative ideas helping to make life in Estonia better. Our other sponsorship contributions are described below.

Estonian culture and society

- Estonian Music Days – for eight years now we have supported the Au-tasu prize for new Estonian music, which was awarded to Ülo Krigul in 2023.
- #TRESKIFEST music festival; concert of Smilers and Red Bull Soundclash – we continued supporting the Estonian music scene.
- EUR 25,000 prize money from the LHV 'Who does it?' support programme aimed at local communities was given to the Kose-Uuemõisa community this year, to restore the park terrace which has a long history.
- Through the charity function for LHV Pank ('Micro donation') we facilitated donations of more than EUR 105,000 to 13 charity organisations.
- 'Charge yourself' programme – we are one of the initiators of the programme giving priority to teaching physics.

- Rakett69 – support to the TV show that popularises science among pupils. In 2023 we also recognised the teacher of the student who won the show.
- Kood/Jõhvi – we are one of the supporting partners of the new IT college in Ida-Virumaa county.
- LHV employees volunteered at Toidupank and organised several charity workshops, where helmet covers and safety nets were knitted together for Ukrainian soldiers.
- OLE ROHKEM. – a network that brings together active Tartu student organisations and trains them. We were their main supporting partner.
- Negavatt – we were the main sponsor for the green business idea competition.

Sport & healthy lifestyle

- Estonian Football Association – LHV Pank has been the main sponsor of the Estonian Football Association and the Estonian national team since 2010. In addition, we supported football clubs with EUR 152,000 in 2023 through the LHV football card support system.
- Maijooks 2023 – LHV continued to be the name sponsor of the biggest women's health sports event in Estonia.
- Estonian Optimist Class Union – we support the development of Estonian sailing.
- Simple Session – we were one of the main sponsors of the top extreme sports event for the third year.
- Estonian Biathlon Federation – we supported Estonian biathletes during the season.
- Estonian Ski Association - LHV Kindlustus supported Estonian ski athletes and their team members in the 2023 season.
- Estonian Basketball Association – LHV became the main sponsor of Estonian women's basketball.
- Disc Golf European Championships 2023 in Tallinn – LHV supported one of the fastest growing sports' championships held in Estonia for the first time.

Estonian economy and business

- EY Estonian Entrepreneur of the Year competition – we have been one of the main sponsors since 2012.
- Young Entrepreneur Award – in cooperation with the Estonian Chamber of Commerce and Industry, we awarded the prize to Kristo Klement.
- Conferences Business Plan, Investment Festival, Investor Toomas – in cooperation with Äripäev, we supported Estonia's leading business and investment conferences.
- TalTech Business Forum – we supported a two-day business festival organised for students.

- Conference of Estonian Real Estate Association
- Latitude59 – we again were sponsors of the large startup meet up.

We also support smaller local initiatives with our knowledge, LHV’s gifts, advice and the presence of our people. We work with universities. We are a member of the Estonian Information Technology and Telecommunications Association, the Estonian Chamber of Commerce and Industry and the Estonian Employers’ Confederation. We consider it important to help Estonian producers and entrepreneurs by preferring their products and services.

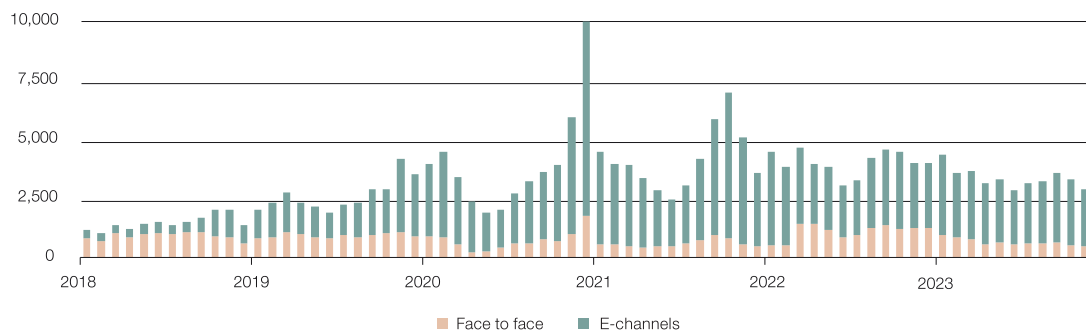
5.3.4 Social impact through channels and customer experience

Customer satisfaction and high quality of e-channels has always been a top priority for us. While for the past few years, we have been more focusing on making banking

services available online, especially to private customers and simple business structures, we are now working on wider segments and product portfolio, but also more effective communication and customer service tools online. For LHV, it is continually essential to develop our internet bank and mobile app in a way, that will support the growing product offering and cross-sell targets, high customer activity, and make our e-channels available for wider audience including insurance customers, pension funds and consumer credit product users.

In 2023, we have onboarded an average of 4,400 new customers every month. Close to 83% of our new private customers open their bank accounts through our e-channels, either directly online or combining e-channels with face-to-face meeting with the bank representative. The percentage of customers using our services remotely and online has been growing steadily through previous years.

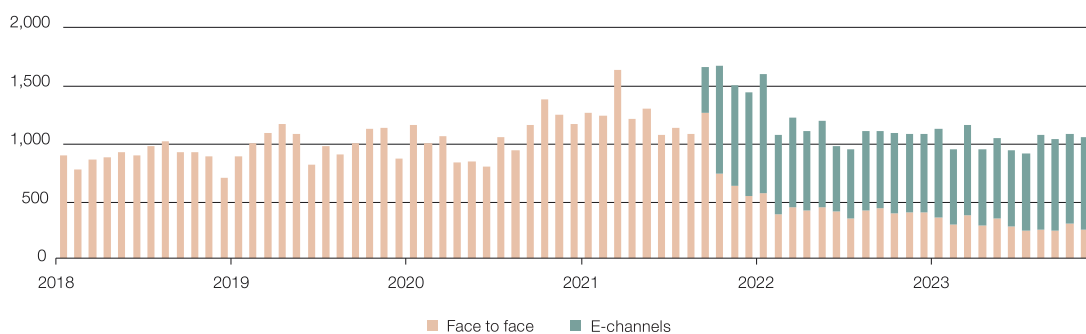
Identification upon onboarding of private persons



Since 2021, when we first introduced digital onboarding to our legal customers, the percentage of bank accounts opened by legal customers in e-channels has been growing steadily from 20% to an average of 75% in Q4 2023.

We will continue working on expanding the possibilities for legal customers, as currently only simple company structures are allowed, and many compliance and risk measures are additionally applied for online onboarding.

Identification upon onboarding of legal entities



Since 2022 the monthly usage activity of our mobile bank has been exceeding internet bank usage. Our mobile bank app has been rapidly gaining popularity among both, private and legal customers. The monthly usage activity of our mobile bank app is showing approximately six times higher activity rates than internet bank. Also, when the statistics

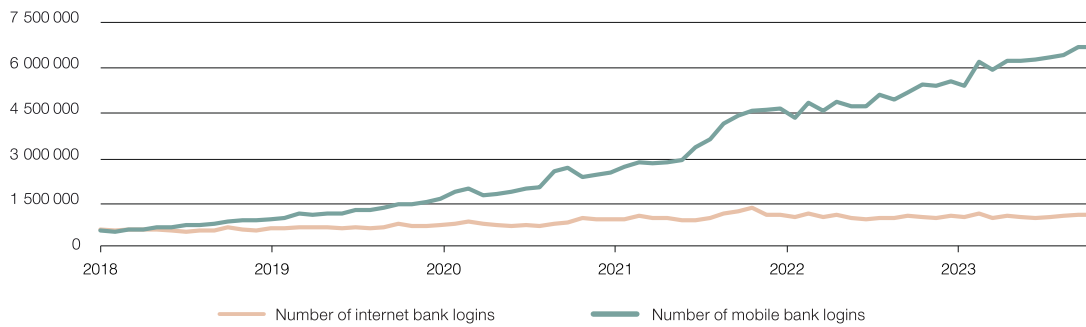
of unique monthly users for recent years have been in the same ballpark for both channels, 2023 has shown a decent growth for mobile bank app reaching approximately 155,000 monthly users.

Improving the usability and look&feel of our electronic channels and making user experience as seamless as

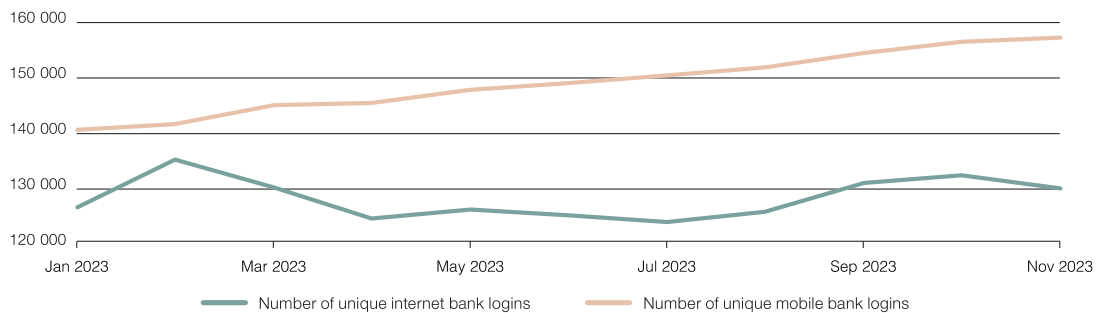
possible has been our utmost priority. The percentage of new customers logging into the electronic channels has reached to 80% for mobile bank and up to 95% for internet

bank by Dec of 2023. This means that customers are taking advantage of our electronic channels even more than a year before.

LHV internet bank and mobile bank usage activity



LHV internet bank and mobile bank unique users



Opening a bank account online for underage children through our electronic channels has kept popularity among our customers. Currently, child’s ID card, passport, or residence permit card issued in Estonia is required in addition to customer data and agreement of the parent opening the account.

As one of the developments in 2023 we have redesigned and simplified the flow to allow the underage account setup without signing the customer agreement with the parent. As a result, we have secured a steady flow of an average of 600 underage accounts opened per month.

LHV insurance services and product portfolio has expanded from insuring homes, cars, trips, equipment, machinery, warranty, and extended warranty insurance to dwelling, corporate and liability insurance. Most of the insurance applications are submitted through our website or mobile app, keeping the ecological footprint minimal and customer satisfaction on a high level. In addition to applications, we are planning to integrate all the insurance claim reporting workflows with the insurance backend software to minimise manual work and improve response metrics.

Focus on customer experience

Excellent customer experience is critical to the sustainable growth of any business. Keeping the high level of customer experience promotes loyalty, helps us retain customers, and encourages brand advocacy. Therefore, when re-designing and improving our electronic channels, we have also considered the needs of visually impaired people and have been working closely together on testing and implementing visual and navigational changes.

We are in progress of developing a Budget Planner tool in our e-channels for customers to promote financial literacy and help them to make smarter financial everyday decisions and support them with an AI based solution. Also, LHV Financial Portal has been redesigned and restructured to provide even more details and insight into investing and saving. We are launching a savings product that encourages customers to save money through gamification and goal setting techniques, while learning about the importance of investing.

LHV has always been acting responsibly when planning our communication and marketing messages, both online

and offline. We are working on solutions to ensure that our marketing activities are based on customer segments and the unique needs of those segments. Our goal is to offer most of our products and services online and plan our sales activities increasingly by segments and customer lifecycle.

Increasing phishing and financial crime rates have forced us to proactively warn and educate our customers about possible threats online and take proactive measures to detect unusual usage patterns.

5.3.5 Our societal impact as an employer

LHV, as a large employer and an important part of the society, is responsible for its actions, words, and ways of working. LHV is using leverage to promote high ethical standards and inclusive approach in all customer, investor, and employee relations. We aim to be a responsible organisation, and we also hope to contribute to systematic change towards a more sustainable approach and inclusive society in general.

In our employees we look for the same values and follow this mindset in all our practices, processes, and daily actions internally. We carry out different surveys during the employee lifecycle – e.g., during exit interviews, end-of-probation talks, etc – to evaluate how we are doing in the eyes of our employees, and where we could do better. We have set up a monthly get-together for team leads, where they can share and discuss different topics, where many team leads share their own experiences and ideas of how to make the workplace better.

We use the international Gallup Q12 format to measure employee engagement survey. The survey consists of 16 questions that measure factors affecting employee engagement. The format has been proven internationally to bring out greater performance and facilitate communication between managers and employees. We have concluded two surveys this year, in April and in November. The results were very good, in both we got 4.4 points out of 5. In addition to the results, the surveys have brought up the same topics about growth, communication, caring, friendships, etc. within teams and the whole organisation.

Equality and non-discrimination

LHV is an equality-driven, fair, and inclusive employer. We foster and maintain non-discriminatory business and HR practices. In the leadership and recruitment processes, we are guided by the highest ethical standards, human rights, and equal opportunities. In line with our personnel policy, we take a gender-neutral, non-discriminatory approach in all recruitment and promotion decisions, and base the decisions on equal, measurable qualities, such as experience, education, skills and, if necessary, requirements set by applicable regulations.

It is important for LHV not to discriminate against any minorities. In recruitment processes we choose the best person for the given role, not considering not related factors, such as race, disabilities, political views, sexual orientation, etc. If the person is fit for the job, no other aspects will play a role. Currently, the physical office space is unfortunately not yet adapted to all the needs of people with physical disabilities but working remotely is offered as an alternative.

We have developed and established a Diversity Policy. LHV recognises that people have different values, abilities, and skills, which affects the way they think and see things. LHV wants to take advantage of these differences, especially in decision making, incl. in management bodies. Different backgrounds, experiences, values, opinions, and views are welcome. Individual differences are embraced, respected, and expected to promote thoughtful disagreement. LHV believes in meritocracy, where people are considered based on their skills, experience, and the value of their ideas. In 2023 there were no notifications about labour disputes, discrimination or violations of human rights.

The remuneration policy sets the guidelines for determining the remuneration. The decision must be objective and unaffected by the person. If required, compliance with legislations is checked. We are using the analytical job evaluation method created and developed by Fontes and based on the method recommended by the ILO. It is used in all three Baltic States for market benchmarking. LHV has used Fontes' benchmarking method since 2011 for yearly evaluation. In this method jobs are evaluated based on education and professional experience, work characteristics and accountability. The analytical job evaluation method is universal and is applicable in every organisation and with all jobs. Fontes's analytical job evaluation points scale and job family classification scale are compatible. This ensures that we compare similar value jobs with each other. In 2023, we continued with the same methodology. This year the analysis showed that in specialist categories, where the job requirements and the work are more comparable, the women/men salary ratio ranged from 0,86 to 0,91. In the manager categories the range was slightly higher, from 0.70 to 0.90, but these roles are often more specific, incomparable with each other.

Breakdown of employees by age and gender as at 31 Dec 2023

Age group	Women (%)	Men (%)	Total
19–25	99 (65.6%)	52 (34.4%)	151
26–40	396 (58.8%)	277 (41.2%)	673
41–55	151 (58.2%)	113 (41.8%)	270
56-...	9 (64.3%)	5 (35.7%)	14
Total	660 (59.7%)	447 (40.3%)	1,107

Staff turnover and job types 2023

	Total employees (change from 2022)	Tallinn office	Tartu office	Pärnu office	London office	Leeds office	Manchester office
Total employees	1,107 (+209)	847	142	23	62	21	12
Working part time women (%)	5.9%						
Working part time men (%)	3.1%						
Working contractual basis (of which % in IT Departments)	32 (80%)						
New hires (of which interns)	357 (49)						
Voluntary turnover rate (%)	9.06%						
Overall turnover rate (%)	17.24%						

Gender pay gap as of June 2023:

	Salary ratio (women to men)	Breakdown of female employees
Employees		
Administrative and office services – job value points 91-159	not available	100%
Specialists 1 – job value points 160-210	0.88	82%
Specialists 2 – job value 211-260	0.86	66%
Top specialists 1 – job value points 261-310	0.87	58%
Top specialists 2 – job value points 311-370	0.90	52%
Top specialists 3 – job value points 371-566	0.91	35%
Managers		
First level managers 1 – job value points 184-250	0.84	88%
First level managers 2 – job value points 251-310	not available	100%
First level managers 3 – job value points 311-380	0.75	67%
Middle level managers 1 – job value points 381-440	0.70	52%
Middle level managers 2 – job value points 441-500	0.86	41%
Function/area managers 1 – job value points 501-700	0.90	47%
Function/area managers 2 – job value points over 701	0.78	29%

Inclusive workplace

It is important to us that our employees' ideas, thoughts, and statements are heard and taken into consideration. We believe that great success comes from working together and using our collective intelligence. It is important that employees feel free to express themselves, ensuring their voices reach top management. LHV includes all employees in the process of setting goals for each team, fostering a collaborative team effort.

While we encourage our employees to express their thoughts daily, this focus intensifies at least twice a year during our engagement survey, Q12. In the seventh question of the survey, respondents must indicate their agreement or disagreement with the statement 'At work, my opinions seem to count.' Employees can provide responses on a 5-point scale, in April the score was 4.6 and in November it was 4.5. Additionally, the survey format includes one-on-one conversations for every team member with their manager,

allowing for in-depth discussions and proposing actions if improvements are needed. This topic has been identified as one of the key focus areas by HR and communicated to the team leaders.

LHV employees are not covered by a collective agreement, as this is not a very common practice in the financial sector in Estonia. However, we are a member of the Estonian Employers' Confederation.

We value diversity and inclusion through several initiatives aimed at both internal and external communities. One of our main initiatives is organising hackathons within LHV, which bring together individuals from diverse backgrounds and fields to collaborate on solving challenges and generating innovative ideas. In 2023, there was an investment-themed hackathon where the winning work was selected, based on which new value added to our existing services was developed.

Such events not only foster creativity, but also create a platform for showcasing diverse perspectives. An illustration of LHV's commitment to inclusive business and the embrace of diversity is the collaborative development of the benefits package by employees from various backgrounds and fields, utilising the service design method. The company considers different needs and preferences, offering a diverse range of benefits that align with the expectations and lifestyles of its employees.

As a new process, we introduced managers' covision meetings, which facilitate structured discussions to share thoughts and support each other in finding solutions to various management challenges. These meetings contribute to the development of leadership skills, fostering stronger team spirit and enhancing problem-solving abilities, thus creating value for the organisation

The SEMU program is another example of LHV's commitment to inclusive entrepreneurship. It is a mentoring program in which LHV employees take the role of mentors, sharing their experience and knowledge with new colleagues. This program provides an opportunity for new employees to learn from experienced colleagues, contribute to the company's development, and engage in real challenges that foster professional growth.

Conversation evenings around LHV values, where the discussion partners are the company's own employees, show the company's effort to create a platform where employees can encourage each other and share their thoughts and experiences according to the company's core values. In summary, LHV is committed to fostering diversity, inclusion, and open communication through various initiatives, creating an environment where everyone feels valued, and diverse perspectives are not only recognised but also supported.

LHV is a member of The Estonian Employer's Confederation, Estonian Chamber of Commerce and Industry, Responsible Business Forum in Estonia and Estonian Human Resource Management Association PARE

Employee development

Professional and personal development is part of LHV's culture, reflecting our commitment to innovation and continuous improvement in delivering smarter solutions to our customers. The ideas for the solutions should come from our employees, and therefore developing one's skills is part of the daily job. Our training approach is tailored to individual needs, motivations, and goals, aligning with regulatory guidelines for professional development.

In addition to professional trainings, we have contributed to team trainings with the aim of enhancing collaboration within teams. Furthermore, we have intensified our focus

on leadership development through a dedicated leadership training program. Our particular emphasis lies in mapping employees' strengths using Gallup's Clifton Strengths Finder test. Over 60% of our teams and employees have taken the test, providing them with a comprehensive overview of their greatest strengths.

Beyond personal and professional development, we regularly organise discussion evenings where guests are LHV's own employees. The topics have included 'We listen to the customer and offer a solution', 'Simple, supportive and effective', 'Setting high goals and investing in the future', 'Let's talk about things as they are', 'Cooperation is important to us'. All these topics are related closely aligned with LHV values.

Every month there is also a workshop aimed at managers, where we deal with issues related to management. The topics have been 'Insight into LHV through an external eye', 'Everyday misconceptions', 'Team cohesion', 'Q12 experience story', 'Many levels of leadership', 'Strength Finder Gallup', 'Leader as a culture designer'. Our employee engagement survey measures employees' satisfaction with their development. There are three questions focused on professional growth: is there someone at work who encourages your development; has anyone talked to you about your progress, and have you had opportunities to learn and grow in the past year? In the latest survey, from November 2023, 76% of our employees replied with a 4 or a 5 to first two questions and 80% of the employees say that they have had opportunities to learn and grow in the past year in their role. All these have decreased slightly from last year.

Work-life balance

It is very important to us that our employees have a well-balanced life. An unbalanced life will affect both private and work life. On behalf of the company, we offer a flexible working arrangement that provides an opportunity for balance.

LHV encourages employees to work in the office, and while many prefer this setting, we recognise the importance of flexibility. Our benefits package for employees is diverse, offering days off both for personal and family events. For example, employees are entitled for free days for personal use (3), a wedding (3), in case of the loss of a loved one (3), an employee returning from parental leave (3), participating in a child's school function (1) or to participate in their own school function day (1). During the period of training of reservists, we retain 100% of the employee's salary.

A notable addition to our benefits is the creation of a six-week sabbatical, emphasising the value we place on employee development and work-life balance. This serves as a token of gratitude for those who have contributed significantly to

LHV's development. Above all, we prioritise the ability of our employees to attend important family events.

Promotion of employees' health

To prioritise the health of our employees, LHV provides an extensive occupational health package aimed at both physical and mental well-being. We understand the importance of maintaining a healthy balance between work and private life, as well as fostering a supportive mental and physical working environment.

Supporting mental health, health audits, supporting sports activities, offering joint training sessions within the company, and summer hiking projects are integral to promoting the overall health of LHV employees. By offering opportunities to maintain a balance of both physical and mental health, we contribute to the well-being of our entire company.

Throughout the year, we conducted the Peaasi.ee survey 'Peaasi.ee Mental health vitamins + Emotional Wellbeing Test' and the HeBa occupational health service provider 'HeBA questionnaire: Work related stress'. These assessments help us continually address and improve the well-being of our employees.

A recognised employer

While attractive employer awards have never been the primary goal for LHV, they are still a great acknowledgement. In recent years, LHV has gained a growing reputation for being a desirable employer. Our objective has been to provide our employees with opportunities for professional growth and an inspiring company culture. Throughout this year, we have had numerous opportunities to share our experiences and our leadership culture in various podcasts, conferences, schools and universities.

All of these efforts have not gone unnoticed. We have received acknowledgements in CV-Online's TOP Employer Survey, being named the 1st choice in both financial sector as well as Top-of-Mind employer in Estonia. Additionally, CV Keskus ranked LHV as the most desirable employer, and in Instar's survey, we were recognised as the most attractive employer by both students and experienced professionals. This year, we participated in the Dream Employer competition and proudly emerged as the private sector winner.'

Such recognition plays a crucial role in attracting talented individuals to join our company, especially in today's highly competitive labour market. Throughout this year, we had the opportunity to engage with almost 6,500 applicants, ultimately hiring 5.4% of them. Alongside our job offerings, we have sustained our internship program, actively promoted job-shadowing, and facilitated rotation opportunities. In the summer of 2023, we welcomed 48 interns to contribute to our vibrant and dynamic workplace.

5.4 Governance

LHV is committed to always acting with integrity and in good faith and ensuring that our management policies, business mechanisms, and structures are transparent and reflect accountability, equality, and the highest ethical standards. We manage carefully all potential conflicts of interest, avoid bribery, financial crime, unlawful behaviour, and corruption. To encourage the sustainability mindset across all management levels and the organisation, we:

- maintain a flat, non-hierarchical organisational structure to emphasise the importance of employees taking individual responsibility;
- continuously enhance the integration of ESG factors into our everyday work, management style, recruitment processes, and strategy building;
- focus on engagement and cooperation;
- recognise the integration of ESG factors into our business processes as a change management effort and understand the importance of collaboration to achieve our set goals;
- work toward better analysing and reporting our ESG activities and progress and appropriately disclosing our metrics and achievements to regulators, partners, and the public;
- in order to ensure a transparent management culture, we follow the 'Good Corporate Governance Practices' recommended by the EFSA and the Nasdaq Tallinn Stock Exchange;
- report regularly on the UNEP FI Principles of Responsible Banking;
- have integrated ESG targets into the executive compensation programme.

5.4.1 Responsible management culture

Responsibility and openness in management are the core pillars of our operating principles and are firmly rooted in our mission and values. We strongly believe that our high ethical standards and consideration of all stakeholders, high-level risk management, and lawful behaviour are critical to our success in the long term. All managers and employees of LHV must behave ethically and responsibly and following the Code of Ethics is mandatory. LHV's Code of Ethics is the foundation of LHV's various policies, including the company governance policy, internal regulations, and procedures governing the specifics of adherence to the Code of Ethics. We also have a group ESG policy which clearly states and explains our responsibility and commitment to social and environmental issues. In 2023 we added a comprehensive group ESG governance structure to the ESG policy.

Primarily we rely on the lawfulness, best practices, and common-sense principle, doing our job responsibly, transparently, and with a fundamental goal to do no harm. The work of the Supervisory Board of the Group is supported by different committees: the Remuneration Committee, the Nominating Committee, the Audit Committee. LHV's underlying governance principles are described in the 'Corporate governance report'. The LHV management structure is easy to understand and includes clear lines of responsibility. An essential part of responsible governance is meticulous risk management and critically analysing our own activities. The mapping and mitigation of credit risks, liquidity risks, market risks, crime risks, and operational risks are taken very seriously at LHV. We have three lines of defence for risk monitoring and risk control. The internal control framework covers both a well-functioning independent risk management, compliance checks, and staff performing audit functions. We have established committees to advise on risk management. The company gives a comprehensive overview of the risks in this annual report.

5.4.2 Investor relations

LHV actively contributes to developing good relations with the investor community, and we have set high standards for ourselves in being open and transparent, and raising the awareness of our investors. We have set up an investor relations website, making all documents and information available to the shareholders, following the 'Good Corporate Governance Practices' and statutory requirements. LHV treats all shareholders equally and notifies them of all relevant essential circumstances, ensuring equal and quick access to the respective information and being open to questions. Information is disclosed in accordance with the rules set forth for publicly traded companies.

5.5 Sustainability reporting

We continuously work towards improving our sustainability reporting and strive to be transparent in reporting our ESG metrics. Over the past years, we have joined several voluntary non-financial disclosure initiatives (Nasdaq Environmental and Social Disclosure Form, PCAF, UNEP FI). In 2023, we submitted our third report to UNEP FI regarding our progress of implementing the UNEP FI Principles of Responsible Banking and continue to do so in the upcoming year while also considering the feedback received from UNEP FI. We continue to align our ESG reporting practices with GRI requirements as well as the Nasdaq Reporting Guide for Nordic & Baltic Market.

We are preparing for the upcoming CSRD which will require us to report on various aspects on a more detailed level. Aligning our reporting practices with international standards

also means disclosing more non-financial information. To do that, we put effort into gathering and analysing ESG data, improving ESG communication and internal processes, developing and publishing more sustainability-related materials and reports, and building in-house capacity for adhering to globally recognised ESG reporting standards.

5.5.1 ESG metrics

Working towards our goals of more sustainable business development, we comprehend the challenges of ESG governance, impact measurement and setting KPIs to sustainability goals. To manage our impacts, we need to be able to measure them. We are also developing a new ESG roadmap for 2024-2030 that will help us move closer to our goals in a more structured manner. Incorporating ESG in all our business decisions and business lines will need to go hand in hand with comprehensive mechanisms for measuring our impact across the board and reporting on it correctly. This will be one of the key ESG-related goals for LHV moving forwards. The goal of 2024 and onward would be to establish a more specific target setting plan for these metrics and include additional business specific ESG targets which are tangible and aligned with both our ambition as well as the global goals.

5.5.2 EU Taxonomy reporting

The EU taxonomy regulation for sustainable finance (EU regulation no. 2020/852) is a system for classifying economic activities as environmentally sustainable. It categorizes economic activities based on their substantial contribution to EU environmental objectives of Climate Change Mitigation (CCM), Climate Change Adaptation (CCA), Water and Marine Resources, Biodiversity, Pollution and Circular Economy. The description and criteria for the economic activities contributing to these objectives are specified in EU regulation no. 2021/2139 (the Climate Delegated Act) and EU regulation no. 2023/2486 (the Environmental Delegated Act). Activity can be taxonomy-eligible by being described in the taxonomy or taxonomy-aligned by meeting all of the taxonomy criteria.

Article 8 of the EU taxonomy regulation (the TR or Taxonomy Regulation) requires any undertaking subject to an obligation to publish non-financial information pursuant to Directive 2013/34/EU (the NFRD companies) to include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under the TR. The disclosure pursuant to Article 8 is further specified in EU regulation no. 2021/2178 (the Disclosures Delegated Act – the DDA).

LHV Group's approach to taxonomy reporting

LHV Group considers as its main taxonomy alignment KPI the Green Asset Ratio (GAR). See disclosure in Taxonomy table 1. The GAR is the main KPI used for disclosing information on the extent of taxonomy alignment of credit institutions' activities. It shows the proportion of assets financing and invested in taxonomy-aligned economic activities (numerator) and it is computed as a proportion of total covered on-balance sheet assets (denominator).

The GAR is required to be disclosed on the basis of the prudential scope of consolidation specified in the EU regulation no. 575/2013 (the CRR). The consolidated situation based on the prudential scope is different from the scope of consolidation applied to financial statements under the IFRS. In case of LHV Group, the consolidated situation based on the CRR prudential consolidation scope does not include LHV Kindlustus. Complementary to the GAR a separate disclosure is provided on the extent to which LHV Kindlustus underwriting activities are associated with economic activities that qualify as environmentally sustainable under the TR (Taxonomy table 4).

This taxonomy report includes also KPIs on nuclear and fossil gas related activities (Taxonomy table 2) and a KPI for the transitional taxonomy eligibility report based on the new economic activities added to the taxonomy in 2023 (Taxonomy table 3).

Covered assets, content of the KPIs, data limitations

Assets and activities covered by the GAR and other KPIs are exposures to households (mortgages, building renovation loans and motor vehicle loans), non-financial and financial undertakings and local governments as well as certain off-balance sheet assets (assets under management and financial guarantees). Detailed information on covered assets is provided in Taxonomy table 1.

Certain assets are excluded from the calculation of the GAR. Exposures to central governments, central banks and supranational issuers are excluded from both numerator and denominator of GAR. According to the disclosure requirements certain assets may not be considered for taxonomy-eligibility and taxonomy-alignment and are therefore excluded from the numerator. Such assets include for example exposures towards companies who are not under the obligation to publish sustainability reports, i.e. all companies which are not large (over 500 employees) public-interest companies, referred to as non-NFRD. Such assets are reported as non-eligible, regardless of their potential to meet the taxonomy criteria for environmentally sustainable activities. In the coming years more companies will be required to disclose sustainability reports according to the EU Corporate Sustainability Directive and the types

of assets which may be considered for taxonomy alignment are expected to be reviewed by lawmakers. This may impact the GAR in the future.

With respect to household exposures LHV assessed that a proportion of the mortgage and motor vehicle loan portfolio meets the technical screening criteria for substantial contribution to the CCM objective, i.e. the buildings financed meet the required level for energy efficiency based on the EPC and motor vehicles financed are low- and zero emission vehicles. However, we have not obtained adequate exposure-specific documentary evidence showing that the DNSH criteria are met. This expectation on the level of certification was specified by the European Commission in its notice on the taxonomy reporting requirements published late in December 2023, providing for the first time an insight into whether and how the DNSH criteria should be assessed for households. Therefore, for financial year 2023 the mortgage and motor vehicle loan portfolios are reported as taxonomy-eligible but not as taxonomy-aligned. As the underlying data for the KPIs must in part be based on the taxonomy reporting disclosed by NFRD companies, LHV is relying on the level of detail and data quality in annual reports which may vary depending on the company. If the taxonomy reporting data from NFRD companies is not available, (for example taxonomy-alignment KPIs of financial undertakings which are only disclosed for the first time in 2024), the exposure is reported as not aligned.

For the assets under management LHV has used the services of data provider Morningstar Sustainalytics to obtain the counterparties' reported taxonomy information.

Currently the reporting requirements are not clear on whether an exposure towards a subsidiary under the control of an NFRD parent company can be considered for taxonomy alignment, especially in case of general-purpose lending. In disclosure year 2024, LHV has not included exposures towards subsidiaries of NFRD parent companies in the numerator of KPIs.

In disclosure years 2024-2025 the GAR will only show the proportion of LHV's assets financing and invested in those taxonomy-aligned economic activities which contribute to the CCM and CCA objectives. Proportion of taxonomy-aligned economic activities to all six environmental objectives shall be disclosed as of disclosure year 2026 as required by the DDA.

Impact of the Taxonomy Regulation to strategy, products and clients

The EU sustainable finance taxonomy may be seen as a guiding framework, steering both LHV and our clients toward sustainable economic activities. During 2023 LHV was following the regulatory developments related to the taxonomy, such as the adoption of the Environmental Delegated Act. We are also proactively considering the business environment developments related to the potential use of the Taxonomy Regulation as a standard for green loans and mortgages. This adaptive approach allows us to consider aligning our operations with emerging standards while acknowledging the dynamic and complex nature of sustainable finance regulations.

Green Asset Ratio (GAR) and other KPIs disclosure

Taxonomy table 1. Green Asset Ratio (GAR) and off-balance sheet KPIs

Summary of KPIs under Article 8 Taxonomy Regulation, 31 Dec 2023

		Total environmentally sustainable assets (EUR million)	KPI** (%)	KPI*** (%)	% coverage (over total assets)*	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Main KPI	Green asset ratio (GAR) stock	0.0	0.0%	-	52.6%	32.5%	47.4%
		Total environmentally sustainable activities (EUR million)	KPI** (%)	KPI*** (%)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Additional KPIs	GAR (flow)	0.0	0.0%	-	-	-	-
	Financial guarantees	0.0	0.0%	-	-	-	-
	Assets under management	94.9	5.1%	3.6%	-	-	-

* % of assets covered by the KPI over banks' total assets

**based on the Turnover KPI of the counterparty

***based on the capex KPI of the counterparty

Assets for the calculation of GAR, 31 Dec 2023

EUR million	Total gross carrying amount	TOTAL (CCM+CCA*)		
		Climate Change Mitigation (CCM)		
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		
		Of which environmentally sustainable (Taxonomy-aligned)		
		Of which use of proceeds	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator				
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	1,431.9	1,181.8	0.0	
Financial undertakings	0.0	0.0	0.0	
Credit institutions	0.0	0.0	0.0	
Loans and advances	0.0	0.0	0.0	
Debt securities, including UoP	0.0	0.0	0.0	
Equity instruments	0.0	0.0	0.0	-
Other financial corporations	0.0	0.0	0.0	
Non-financial undertakings	0.5	0.5	0.0	
Loans and advances	0.5	0.5	0.0	
Debt securities, including UoP	0.0	0.0	0.0	
Equity instruments	0.0	0.0	0.0	-
Households	1,363.3	1,181.3	0.0	
of which loans collateralised by residential immovable property	1,205.8	1,162.1	0.0	
of which building renovation loans	0.0	0.0	0.0	
of which motor vehicle loans	31.1	19.2	0.0	
Local governments financing	68.1	0.0	0.0	
Housing financing	0.0	0.0	0.0	
Other local government financing	68.1	0.0	0.0	

Collateral obtained by taking possession: residential and commercial immovable properties

Assets excluded from the numerator for GAR calculation (covered in the denominator)	2,315.1	-	-	-	-	-
Financial and Non-financial undertakings	2,159.6	-	-	-	-	-
(including EU and non-EU SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations)						
Derivatives	0.0	-	-	-	-	-
On demand interbank loans	51.7	-	-	-	-	-
Cash and cash-related assets	0.0	-	-	-	-	-
Other categories of assets (e.g. Goodwill, commodities etc.)	103.8	-	-	-	-	-
Total GAR assets	3,747.0	1,181,8				
Assets not covered for GAR calculation	3,394.6		-	-	-	-
Central governments and Supranational issuers	326.2		-	-	-	-
Central banks exposure	3,067.7		-	-	-	-
Trading book	0.7		-	-	-	-
Total assets	7,125,6	1,181,8	-	-	-	-
Financial guarantees	0.0	0.0	0.0	0.0	0.0	0.0
Assets under management	1,797.0	115.0	94.9	0.0	28.5	86.5
Of which debt securities	395.1	20.3	19.8	0.0	13.2	19.2
Of which equity instruments	1,207.4	94.8	75.1	0.0	15.3	67.3

* No taxonomy relevant exposures contributing towards Climate Change Adaptation (CCA) objective are disclosed for on-balance sheet assets. The Total (CCM+CCA) amount for on-balance sheet assets equals the amount of exposures towards Climate Change Mitigation (CCM) objective. For off-balance sheet assets the Total column includes also CCA activities and the breakdown by CCM and CCA is provided in the template for the off-balance sheet assets.

1. The following accounting categories of financial assets are considered: Financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss, and real estate collaterals obtained by credit institutions by taking possession in exchange in of cancellation of debts.

2. For motor vehicle loans, only those exposures generated after 1 January 2022 are considered.

3. Information on disclosure reference date T-1 shall be reported as of disclosure year 2025.

4. LHV is not disclosing on a best effort basis a separate GAR for non-EU exposures considering the current volume of non-EU exposures.

GAR breakdown by sector, 31 Dec 2023

	Non-Financial corporates (Subject to NFRD)					
	CCM		CCA		TOTAL (CCM + CCA)	
	Gross carrying amount		Gross carrying amount		-Gross carrying amount	
	Of which environmentally sustainable (CCM)		Of which environmentally sustainable (CCA)		Of which environmentally sustainable (CCM + CCA)	
<i>EUR million</i>						
N77.1.1 - Renting and leasing of cars and light motor vehicles	0.5	0.0	0.0	0.0	0.5	0.0

In the table above information on exposures in the banking book towards those sectors covered by the Taxonomy (NACE sectors 4 levels of detail) are disclosed.

GAR KPI stock, 31 Dec 2023

	Total (CCM+CCA*)			Proportion of total assets covered
	Climate Change Mitigation (CCM)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
<i>% (compared to total covered assets in the denominator)</i>	Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator				
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	32.9%	0.0%		20.1%
Households	32.9%	0.0%		19.1%
of which loans collateralised by residential immovable property	32.4%	0.0%		16.9%
of which building renovation loans	0.0%	0.0%		0.0%
of which motor vehicle loans	0.5%	0.0%		0.4%
Total GAR assets	32.9%	0.0%		52.6%

* No taxonomy relevant exposures contributing towards Climate Change Adaptation (CCA) objective are disclosed. The Total (CCM+CCA) amount equals the amount of exposures towards Climate Change Mitigation (CCM) objective.

With regard to taxonomy-eligible proportion of covered household exposures, LHV includes all mortgages and motor vehicle loans (only motor vehicle loans generated from 2022) as taxonomy-eligible towards the CCM objective based on the activity descriptions under CDA Annex I sections 7.7 and 6.5. As required under the regulation, exposures to non-NFRD companies were not considered for taxonomy-eligibility and taxonomy-alignment assessment, regardless of their potential to meet the taxonomy criteria.

GAR KPIs stock template is not duplicated for turnover based and CapEx based disclosures as no general purpose lending exposures to NFRD non-financial companies were considered for taxonomy eligibility and alignment assessment.

GAR KPI flow, 31 Dec 2023

	Total (CCM+CCA*)			Proportion of total new assets covered
	Climate Change Mitigation (CCM)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
% (compared to flow of total covered assets)	Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator				
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	22.6%	0.0%		-
Households	22.6%	0.0%		-
of which loans collateralised by residential immovable property	21.3%	0.0%		-
of which building renovation loans	0.0%	0.0%		-
of which motor vehicle loans	1.3%	0.0%		-
Total GAR assets	22.6%	0.0%		-

* No taxonomy relevant exposures contributing towards Climate Change Adaptation (CCA) objective are disclosed. The Total (CCM+CCA) amount equals the amount of exposures towards Climate Change Mitigation (CCM) objective.

In the above table the GAR KPIs on flow of loans and other exposures calculated (new loans on a net basis) is disclosed based on the data disclosed on covered assets. Proportion of total new assets covered is not reported in this disclosure.

KPI off-balance sheet exposures

In the following tables the assets under management KPIs (including portfolio management and funds) for off-balance sheet exposures are disclosed calculated based on the data disclosed on covered assets. Financial guarantees KPI column is not disclosed based on data disclosed on covered assets. AuM KPI capex-based disclosure does not include financial undertakings' relevant KPIs. For financial year 2023, only disclosure of stock is provided.

KPIs stock turnover based, 31 Dec 2023

		Assets under management (AuM KPI)
<i>% (compared to total eligible off-balance sheet assets)</i>		
CCM	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	5.4%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	5.1%
	Of which Use of Proceeds	0.0%
	Of which transitional	1.6%
	Of which enabling	4.6%
CCA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	0.0%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	0.0%
	Of which Use of Proceeds	0.0%
	Of which enabling	0.0%
TOTAL (CCM + CCA)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	5.4%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	5.1%
	Of which Use of Proceeds	0.0%
	Of which transitional	1.6%
	Of which enabling	4.6%

KPIs stock Capex based, 31 Dec 2023

		Assets under management (AuM KPI)
<i>% (compared to total eligible off-balance sheet assets)</i>		
CCM	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	4.9%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	3.6%
	Of which Use of Proceeds	0.0%
	Of which transitional	0.6%
	Of which enabling	3.1%
CCA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	0.0%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	0.0%
	Of which Use of Proceeds	0.0%
	Of which enabling	0.0%
TOTAL (CCM + CCA)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	4.9%
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	3.6%
	Of which Use of Proceeds	0.0%
	Of which transitional	0.6%
	Of which enabling	3.1%

Taxonomy table 2. Information on nuclear and fossil gas related activities
Nuclear and fossil gas related activities, 31 Dec 2023

	On-balance sheet	Off-balance sheet
Nuclear energy related activities exposures		
Research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No	No
Construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No	Yes
Safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No	Yes
Fossil gas related activities exposures		
Construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No	Yes
Construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No	Yes
Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No	No

For on-balance sheet assets no taxonomy-eligible or taxonomy-aligned exposures to nuclear and fossil gas related economic activities described in sections 4.26, 4.27, 4.28, 4.29, 4.30 or 4.31 of Annex I and Annex II of the CDA (regulation 2021/2139) are reported. For off-balance sheet assets LHV identified a proportion of taxonomy-eligible and taxonomy-aligned activities, however for financial year 2023 this proportion is assessed as non-material for disclosure.

Taxonomy table 3. Transitional reporting of taxonomy eligibility KPI in disclosure years 2024-2025

In 2024 and 2025 LHV Group shall report the share of taxonomy-eligible assets pursuant to the DDA article 10(7). This report shows the proportion in total covered on-balance sheet assets of exposures to taxonomy non-eligible and taxonomy-eligible economic activities pursuant to the Environmental Delegated Act and the new sections 3.18 to 3.21, sections 6.18 to 6.20 of Annex I and sections 5.13,

8.4, 9.3, 14.1 and 14.2 of Annex II to the Climate Delegated Act. Detailed information on covered assets is provided in Table 1. Where an exposure has already been determined taxonomy-eligible towards economic activities other than the activities covered here, this exposure was not considered for eligibility for this transitional reporting, for example household mortgages and motor vehicle loans contributing to the CCM objective.

Transitional taxonomy eligibility report

<i>EUR million</i>	Taxonomy eligible	Taxonomy non-eligible	Taxonomy-eligible share %
Art 10(7) Total covered GAR assets	0	3,747.0	0.0%

Taxonomy table 4. KPIs on underwriting activities (LHV Kindlustus)

LHV Kindlustus eligibility of underwriting activities					
<i>EUR million</i>	Taxonomy eligible	Taxonomy non-eligible	Share of taxonomy-eligible activities, %	Taxonomy aligned	Share of taxonomy-aligned activities, %
Underwriting activities, including	16.8	14.6	53%	0.0	0%
Land vehicle insurance (section 10.1.e)	11.0	-	35%	0.0	0%
Fire and other property damage insurance (section 10.1.g)	5.8	-	18%	0.0	0%

Share of taxonomy-eligible underwriting activities includes the gross premiums written insurance revenue corresponding to taxonomy-eligible insurance activities specified in the Climate Delegated Act Annex II section 10.1. For financial year 2023 no taxonomy-aligned underwriting activities are disclosed.

5.5.3 GRI content index and ESG metrics

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. As GRI does not provide enough financial-sector specific disclosures for reporting on portfolio impact, various non-GRI

disclosures have been used. Such non-GRI disclosures have been categorised by material topics, and listed in the GRI content index below, to provide an overview of all main ESG and sustainability indicators covered in the report.

GRI standard	Disclosure number	Disclosure	Location in report and/or explanation See sections:
Foundation (GRI 101: 2016)			
General disclosures (GRI 102:2016)			
Organisational profile	102-1	Name of the organisation	<ul style="list-style-type: none"> • Legal name • Note 1 General information
	102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> • Management report • Note 1 General information • Activities of business areas
	102-3	Location of headquarters	<ul style="list-style-type: none"> • Legal address • Note 1 General information
	102-4	Location of operations	<ul style="list-style-type: none"> • Legal address • Note 1 General information
	102-5	Ownership and legal form	<ul style="list-style-type: none"> • General Meeting (for legal form) • Shares and bonds issued by LHV (for ownership) • Note 1 General information (for legal form) • Note 6 Subsidiaries and goodwill
	102-6	Markets served	<ul style="list-style-type: none"> • Strategy and financial plan • Note 1 General information
	102-7	Scale of the organisation	<ul style="list-style-type: none"> • Strategy and financial plan • Note 1 General information
	102-8	Information on employees and other workers	<ul style="list-style-type: none"> • Strategy and financial plan • Note 1 General information
	102-9	Supply chain	<ul style="list-style-type: none"> • Green office operations • Estimates of financed emissions
	102-10	Significant changes to the organisation and its supply chain	<ul style="list-style-type: none"> • Green office operations
	102-11	Precautionary principle or approach	<ul style="list-style-type: none"> • ESG risks in credit risk • ESG risks
	102-12	External initiatives	<ul style="list-style-type: none"> • Global sustainability frameworks • Leadership for sustainable business development in Estonia
	102-13	Membership of associations	<ul style="list-style-type: none"> • Global sustainability frameworks • Leadership for sustainable business development in Estonia
Strategy	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> • Letter from the CEO
Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	<ul style="list-style-type: none"> • Governance of the group
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> • Equality and non-discrimination
Governance	102-18	Governance structure	<ul style="list-style-type: none"> • Note 1 General information

GRI standard	Disclosure number	Disclosure	Location in report and/or explanation See sections:
Stakeholders' engagement	102-40	List of stakeholder groups	• Stakeholder engagement
	102-41	Collective bargaining agreements	• Inclusive workplace
	102-42	Identifying and selecting stakeholders	• Stakeholder engagement
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
Reporting practice	102-45	Entities included in the consolidated financial statements	• Note 1 General information
	102-46	Defining report content and topic boundaries	• Sustainability mission statement • GRI
	102-47	List of material topics	• Material ESG and sustainability topics
	102-49	Changes in reporting	• Summary of significant accounting policies/ basis of preparation
	102-50	Reporting period	January 2023 – December 2023
	102-51	Date of most recent report	28 February 2023
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	info@lhv.ee
	102-54	Claim of reporting in accordance with the GRI Standards	• Global sustainability frameworks – GRI • GRI content index
	102-55	GRI content index	• GRI content index and ESG metrics
	102-56	External assurance	• Independent auditors report

Material impact areas

1. Climate and biodiversity

Portfolio impact on climate and biodiversity (non-GRI disclosures)

Management approach (GRI 103: 2016)	103-1 until 103-3	See sections:
		<ul style="list-style-type: none"> • ESG strategy • Stakeholder engagement • Management of ESG • Management of impact areas - Environment

Emissions (GRI 305: 2016)

Management approach (GRI 103: 2016)	103-1 until 103-3		• Our carbon footprint
	305-1	Direct (Scope 1) GHG emissions	
	305-2	Energy indirect (Scope 2) GHG emissions	
	305-3	Other indirect (Scope 3) GHG emissions	
	305-4	GHG emissions intensity	

Waste (GRI 306:2020)

Management approach (GRI 103:2016)	103-1 until 103-3		• Our carbon footprint
	306-3	Waste generated	

Waste and effluents (GRI 303: 2018)

Management approach (GRI 103: 2016)	103-1 until 103-3		• Our carbon footprint
	303-5	Water consumption	

2. Circular economy

Portfolio impact on circular economy (non-GRI disclosures)

Management approach (GRI 103: 2016)	103-1 until 103-3		• Material ESG and sustainability topics

3. Inclusive and cohesive economy

Indirect economic impacts (GRI 203: 2016)

Management approach (GRI 103: 2016)	103-1 until 103-3		<ul style="list-style-type: none"> • ESG strategy • Stakeholder engagement • Management of ESG • Management of impact areas - Social
	203-2	Significant indirect economic impacts	<ul style="list-style-type: none"> • Social responsibility • Financial literacy • Sponsorships • Social impact through channels and customer experience

4. Financial literacy and economic sense of security

Indirect economic impacts (GRI 203: 2016)

Management approach (GRI 103: 2016)	103-1 until 103-3		<ul style="list-style-type: none"> • ESG strategy • Stakeholder engagement - • Management of ESG • Management of impact areas - Social

203-2	Significant indirect economic impacts	<ul style="list-style-type: none"> • Social responsibility • Financial literacy • Sponsorship • Social impact through channels and customer experience
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5. Honest and transparent organisational culture

Anti-corruption (GRI 205:206)

Management approach (GRI 103: 2016)	103-1 until 103-3	GRI content index
	205-3	Confirmed incidents of corruption and actions taken
		none

Socioeconomic compliance (GRI 419: 2016)

Management approach (GRI 103: 2016)	103-1 until 103-3	<ul style="list-style-type: none"> • Management of ESG • Management of impact areas – Governance • Management of impact areas – Social • Management of impact areas • Corporate Governance Report
	419-1	Non-compliance with laws and regulations in the social and economic area
		None

Diversity and equal opportunities (GRI 405: 2016)

Management approach (GRI 103: 2016)	103-1 until 103-3	<ul style="list-style-type: none"> • Management of ESG • Management of impact areas – Social • Our societal impact as an employer - Equality and non-discrimination
	405-1	Diversity of governance bodies and employees
		<ul style="list-style-type: none"> • Equality and non-discrimination • GRI content index and ESG metrics
	405-2	Ratio of basic salary and remuneration of women to men
		<ul style="list-style-type: none"> • Equality and non-discrimination • GRI content index and ESG metrics

Stakeholder engagement (non-GRI disclosure)

Management approach (GRI 103-2016)	103-1 until 103-3	<ul style="list-style-type: none"> • Stakeholder engagement • Management of ESG
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ESG key performance indicators (KPIs)

Table below depicts our defined ESG key performance indicators (KPIs) that help us better understand the environmental, social and governance impact of our business. These KPIs have been selected based on the areas where LHV has most impact through our business activities.

Within the impact area of climate and environment, we have committed to phasing out the financing of new diesel

cars by 2030 and have additionally set a target to gradually decrease the average CO₂ emissions of our vehicle leasing portfolio over the upcoming years. We understand that our main climate impact comes from our loan portfolio, which is why we have set a target to increase the share of renewable energy projects in our energy sector portfolio to 90% by 2030. In addition, we have defined a goal that by 2030 – at least 50% of our annually signed mortgage contracts will be done for A and B energy class housing. Our intention for

2024 is to set science-based emission reduction targets for our loan portfolio.

In LHV, we acknowledge our role in the society when it comes to improving the financial resilience of our clients. We believe that educating society about responsible borrowing and financial habits will eventually improve their possibilities of gaining access to financing. We have therefore set a target to increase the coverage rate of investment services contracts among young (up to 26 years old) clients to reach 60% by 2030.

Since gender pay gap is a major concern within the financial sector, we have decided to be transparent regarding our gender pay gap across all levels and set a target to completely abolish gender pay gap in LHV by 2030. In addition, we aim to improve our employee satisfaction score to reach 5 (maximum score) by 2030.

ESG key performance indicators in LHV Group

1. Climate and biodiversity (E)

	2023	2022	2021
Contract value for new renewable energy projects added to the corporate loan portfolio (EUR million)	90.21	107.1	41.4
Number of new energy class A apartments financed annually through housing developments	822	532	-
Share of annually signed mortgage contracts for A and B energy class housing in the mortgage portfolio	26.1%	29.8%	-
Average CO ₂ emissions in Group's car leasing portfolio (gCO ₂ /km)	98.2	122.3	134.9

2. Inclusive and cohesive economy (S)

Use of digital channels among private customers*	60.1%	59.4%	59.3%
Use of digital channels among private customers with native language other than Estonian*	66.09%	66.2%	64.3%
Use of digital channels among private customers older than 65*	45.0%	40.8%	39.2%
Share of retail customer base outside big cities (Tallinn, Tartu, Pärnu)	33.1%	32.7%	32.4%

* logging in at least once a month

3. Financial literacy and economic sense of security (S)

Share of young people (up to 26 years old) with an investment services contract	47.0%	46.1%	45.7%
Share of private clients with an investment services contract	41.3%	40.8%	41.1%
Share of female private clients with an investment services contract	37.3%	36.3%	36.0%
Number of microloans granted	1,251	1,068	1,001
Share of LHV Pank customers with 2nd pillar pension	26%	35%	-
Total number of Investment School attendees	16,000	19,262	12,000

4. Honest and transparent organisational culture (G)

Confirmed incidents of corruption and actions taken	0	0	0
Customer satisfaction level	96.8%	95.7%	95.8%
Number of legal proceedings pending against the company as of end of year	2	1	1
Proportion of female employees in LHV	59.7%	57.6%	63%
Percentage of female employees in leadership positions	42.1%	48.4%	46.1%
The ratio of the CEO's salary to median FTE salary at LHV	5	5.26	5.26
Gender pay-gap	0.83	0.92	0.87
Employee satisfaction indicator (on a 5-point scale)	4.5	4.5	4.5